

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 L-03 SS-15 NSC-05 SP-02  
CIAE-00 INR-07 NSAE-00 TRSE-00 /055 W  
-----122638 282149Z /73  
P 281945Z JUL 77  
FM AMEMBASSY PORT OF SPAIN  
TO SECSTATE WASHDC PRIORITY 1025

C O N F I D E N T I A L SECTION 1 OF 2 PORT OF SPAIN 2162

E.O. 11652: GDS  
TAGS: ECON, ETRD, US, TD  
SUBJECT: BILATERAL ECONOMIC DISCUSSIONS

REF: STATE 173334

INCLUDES PROPRIETARY INFORMATION

1. FOLLOWING IS STATUS OF MAJOR PROJECTS LISTED IN  
ENCLOSURE TO WILLIAMS LETTER:

(A) W. R. GRACE/GOTT FERTILIZER PLANT. THE TRINGEN  
PLANT, WITH A CAPACITY OF 400,000 SHORT TONS OF ANHYDROUS  
AMMONIA AND OTHER FERTILIZERS, IS VIRTUALLY COMPLETED,  
AND IS EXPECTED TO START OPERATIONS IN AUGUST OF THIS  
YEAR. GRACE HAS AGREED TO MARKET THE OUTPUT. WE KNOW  
OF NO DIFFICULTIES WITH THE IMPLEMENTATION OF THIS PROJECT.

(B) IRON AND STEEL MILL. A DIRECT-REDUCTION  
INTEGRATED STEEL MILL BASED ON MIDREX PROCESS. THIS IS  
NOW WHOLLY-OWNED GOTT INVESTMENT, MINORITY PARTNERS  
(JAPANESE AND GERMAN) HAVING TURNED OVER THEIR SHARES  
TO GOTT FOLLOWING BREAKDOWN OF DISCUSSIONS ON TAKE OR  
PAY AGREEMENT WITH THE JAPANESE. THIS ALSO LED TO  
REDUCTION IN CAPACITY FROM 1.2 MILLION TO 450,000 TONS.  
MAJOR CONTRACTS HAVE BEEN SIGNED, AND BIDS ARE BEING  
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OPENED FOR EQUIPMENT. PREPARATION OF SITE IS UNDER WAY  
FOR INITIATION OF CONSTRUCTION OF PLANT IN OCTOBER, WHICH  
IS TO BE COMPLETED END 1980. MILL SHOULD REACH 50 PERCENT  
OF CAPACITY BY END OF FIRST YEAR OF OPERATION AND 75 PERCENT  
BY END OF SECOND YEAR. AFTER MARKET SURVEY COMPANY HAS  
DECIDED TO EMPHASIZE WIRE ROD PRODUCTION.

AS DEPARTMENT IS AWARE, DISCUSSIONS ARE UNDERWAY WITH EXIM BANK FOR FINANCING. ACCORDING TO USREP OF KORF INDUSTRIES, IT IS BELIEVED WITHIN STEEL COMPANY THAT REAL PROBLEM IS RELUCTANCE OF EXIM BANK TO FINANCE FURTHER STEEL CAPACITY IN LIGHT OF DOMESTIC AND CONGRESSIONAL PRESSURES. HE ALSO FORESEES DIFFICULTY WITH EXIM BANK REQUIREMENT FOR SHIPPING 50 PERCENT OF CARGO IN US BOTTOMS BECAUSE DEEP-WATER PORT AT POINT LISAS WILL NOT BE READY; MACHINERY AND EQUIPMENT WGLL THEREFORE HAVE TO BE TRANSSHIPPED TO SMALL VESSELS, WHICH US CARRIERS CANNOT PROVIDE.

MAJOR CONCERN OF GOTT, ASIDE FROM EXIM BANK QUESTION, WILL BE MARKET ACCESS FOR PLANT'S OUTPUT.

WITH REGARD TO SPNGE IRON PLANT, WE UNDERSTAND THIS IS FEASIBLE ONLY IF PELLETIZING PLANT ALSO INSTALLED, FOR WHICH "CAPTIVE" ORE SUPPLY IS REQUIRED. STEEL CVCOMPANY'S PROJECT COORDINATOR IS NOW IN BRAZIL TO LOOK INTO POSSIBILITY OF ACCESS TO ASSURED SUPPLY.

(C) AMOCO-GOTT FERTILIZER PLANT. AMOCO HAS BEEN ASKED TO DEVELOP JOINT COMPANY WITH MINIMAL CAPITAL FOR INTITIAL PURPOSE OF MAKING STUDY OF FERTILIZER PROJECT. BOARD OF DIRECTORS IS EXPECTED TO BE NAMED SHORTLY. ACCORDING TO AMOCO, THEY ARE AWAITING MOVEMENT FROM GOTT ON SEVERAL ISSUES WHICH HAVE BEEN RAISED IN CONNECTION  
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WITH THE PLANT. ONE IS MARKETING; AMOCO IS NOT INCLINED TO GUARANTEE MARKETING OF FULL OUTPUT, ALTHOUGHT THEY MIGHT TAKE HALF IF ANOTHER U.S. PARTNER CAN BE FOUND FOR THE VENTURE. PROJECT COULD BEGIN CONSTRUCTION BY END OF THIS YEAR, WHICH WOULD BRING PLANT ON LINE BY END OF 1980, ALTHOUGH IT IS NOT CLEAR THEY CAN GET STARTED THAT SOON. GOVERNMENT IS ALSO UNDERSTOOD TO BE STUDYING WAYS OF FINANCING ITS 51 PERCENT OF CAPITAL CONTRIBUTION, AS IT WILL PROBABLY HAVE TO GO TO CAPITAL MARKETS. PRESENT PLANS ARE FOR EVENTUAL 2,000 TON CAPACITY FOR PLANT, ALTHOUGH THIS MAY BE STAGED OVER A PERIOD OF KIME.

(D) LNG PLANT. THREE U.S. FIRMS ARE COMPETING FOR RIGHT TO BUILD LNG PLANT HERE--OCCIDENT, TENNECO AND PEOPLE'S GAS. WHILE PRIME MINISTER'S OFFICE ANNOUNCED AT ONE POINT THAT OCCIDENTIAL HAD BEEN VIRTUALLY DECIDED ON, SUBJECT TO FURTHER STUDY, SUBSEQUENT DISCUSSIONS WITH GOTT OFFICIALS SUGGEST THAT THIS IS NOT FIRM. SOME QUESTION OF ADEQUACY OF GAS DEPOSITS STILL EXISTS; GOTT OFFICIALS HAVE REPORTED RESERVES OF 14-18 TRILLION CUBIC FEET OF GAS AS "VIRTUALLY PROVEN" (A FIGURE AMOCO QUESTIONS, ALTHOUGH THEY BELIEVE GAS MAY BE ADEQUATE TO

JUSTIFY MINIMUM- SIZE LNG PLANT). DECISION ON WHETHER TO PROCEED WILL DEPEND IN PART WHETHER REASONABLE SECURE MARKETING ARRANGEMENTS CAN BE MADE.

(E) METHANOL PLANT. IMPETUS FOR THIS PROJECT HAS COME FROM THE POTENTIAL U.S. INVESTORS--ARTEL/GEORGIA PACIFIC AND A GROUP HEADED BY BORDEN; THE GOTT HAS EVIDENTLY NOT MADE ITS DECISION ON A PARTNER AS YET, OR WHETHER TO PROCEED AT ALL. WE KNOW OF NO FOREIGN BIDDERS ON THIS PROJECT. THE GOTT IS INTERESTED, BUT PRELIMINARY STUDIES HAVE RAISED SOME QUESTION ABOUT ABILITY TO MARKET THE OUTPUT. WHILE THE PRODUCT IS ELIGIBLE FOR GSP, THE VALUE OF THE PLANT'S CAPACITY AT CURRENT PRICES IS SOMEWHAT MORE THAN THE "COMPETITIVE  
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NEED" LIMITS OF THE TRADE ACT, AND THEY ARE NOT SURE WHETHER THEY WILL BE ABLE TO TAKE ADVANTAGE OF GSP FOR THIS REASON.

(F) ALUMINUM SMELTER. THE PRIME MINISTER HAS RECENTLY ANNOUNCED THAT THE GOTT WILL "GO IT ALONE" ON THIS PLANT, WHICH WAS ORIGINALLY PLANNED AS A JOINT VENTURE WITH GUYANA AND JAMAICA. TRINIDAD WILL NOW BUY BAUXITE ON THE OPEN MARKET. THEY ARE TALKING IN TERMS OF A 75,000 TON CAPACITY. A REPRESENTATIVE OF KAISER ENGINEERING, WHICH UNDERTOOK A FEASIBILITY STUDY FOR THE GOTT, TOLD AN EMBASSY OFFICER THAT THE ENGINEERING IS SUCH THAT THE PLANT CAN BE EXPANDED TO 150,000 TONS WITH LITTLE EXTRA COST. BECAUSE GUYANA PLANS AN ALUMINUM SMELTER OF ITS OWN, THIS HAS CAUSED SOME CONTROVERSY WITHIN CARICOM, BUT TRINIDAD IS APPARENTLY PREPARED TO PROCEED, NOTING THAT GUYANA PLANT CANNOT BE BUILT BEFORE HYDROELECTRIC PROJECT IS IMPLEMENTED, AND THIS IS SEVERAL YEARS AWAY AT BEST. TENDERS HAVE NOT YET BEEN ISSUED; WE EXPECT THIS MAY BE BY INVITATION RATHER THAN OPEN BID.

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-----122434 282150Z /73

P 281945Z JUL 77

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC PRIORITY 1026

C O N F I D E N T I A L SECTION 2 OF 2 PORT OF SPAIN 2162

(G) PETROCHEMICAL COMPLEX. EXPANSION OF THE TRINIDAD AND TOBAGO OIL COMPANY (TRINTOC) REFINERY INVOLVES MOSTLY MODERNIZING PLANT AND UPGRADING OUTPUT FROM FUEL OILS TO HIGHER VALUE ADDED PRODUCTS. LOMAS CO. HAS DONE FEASIBILITY STUDY WHICH INDICATED PROJECT IS VIABLE AND A MANAGEMENT CONTRACTOR--BECHTEL CORPORATION-- HAS BEEN APPOINTED TO DEVELOP THE PROGRAM. BECHTEL HAS APPROACHED WXIM BANK FOR POSSIBLE FINANCING, AND OTHER FINANCING STRATEGIES ARE ALSO BEING LOOKED AT. "ADDITIONAL PETROCHEMICALS" APPARENTLY REFERS TO A PROPOSAL FOR A CORE PETROCHEMICAL OLEFIN PLANT TO PRODUCE ETHYLENE AND OTHER RELATED PRODUCTS. FEASIBILITY STUDIES ARE BEING UNDERTAKEN BY THE INDUSTRIAL DEVELOPMENT CORPORATION (IDC) AND TRINTOC ON THIS PLANT, WHICH IS SCHEDULED FOR A LATER PHASE OF TRINTOC'S EXPANSION PROGRAM.

(H) POLYESTER PLANT. THIS IS AN ON AGAIN, OFF AGAIN PROJECT. WE WERE RECENTLY TOLD THAT IT WAS DEAD, BUT NOTE ITS INCLUSION NOW AMONG "HIGHEST PRIORITY" PROJECTS. TEXFI OF NEW YORK HAS DONE FEASIBILITY STUDY, AND ALTHOUGH EMBASSY HAS NOT SEEN IT, WE UNDERSTAND UNFAVORABLE MARKET CONDITIONS HAVE CAST SERIOUS DOUBT ON PLANT'S ECONOMIC VIABILITY. PURPOSE OF RAISING IT IN THIS CONTEXT MAY BE TO FIND WAY OUT OF THIS PROBLEM.

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(I) TRINTOTEX PETROCHEMICAL. (FOLLOWING CONTAINS "OFF THE RECORD" PROPRIETY INFORMATION.) INCLUSION OF THIS AS "HIGHEST PRIORITY" PROJECT IS SOMETHING OF A SURPRISE, BOTH TO EMBASSY AND TO TEXACO. IT REFERS TO DISCUSSIONS WHICH TOOK PLACE BETWEEN TEXACO AND GOTT SEVERAL YEARS AGO FOR POSSIBLE CONSTRUCTION OF TWO PLANTS, ONE FOR LINEAR ALKYL BENZINE AND A MALEIC ANHYDRIDE PLANT. AGREEMENT WAS NEVER FINALIZED. THE LAST TIME THIS WAS DISCUSSED WITH THE MINISTRY OF PETROLEUM AND MINES WAS IN NOVEMBER 1975, AT WHICH TIME TEXACO TOOK THE POSITION THAT FEASIBILITY STUDIES DONE FOUR YEARS EARLIER WERE NO LONGER VALID DUE TO CHANGING MARKET

CIRCUMSTANCES, AND WOULD HAVE TO BE RESTUDIED. TEXACO PREFERS TO LET THIS SLEEPING DOG LIE, PARTICULARLY IN VIEW OF DISCUSSIONS WITH GOTT OVER POSSIBLE PURCHASE OF EQUITY IN TEXACO'S EXISTING REFINERY.

(J) POWER PLANT. FIRST PHASE 88 MEGAWATT PLANT IS BEING INSTALLED BY WESTINGHOUSE AND SHOULD BE IN OPERATION IN AUGUST. TENDERS HAVE RECENTLY BEEN ISSUED FOR TWO SMALLER PLANTS. TIMING OF FURTHER ADDITIONS WILL DEPEND ON NEEDS OF INDUSTRIAL PROGRAM, AS LEAD TIME OF POWER PLANTS IS CONSIDERABLY LESS THAN FOR MAJOR PLANTS THEMSELVES.

(K) NATURAL GAS PIPELINE. THIS IS VIRUTALLY COMPLETE, WITH LAND SECTION IN OPERATION FOR SEVERAL MONTHS AND OFFSHORE SECTION NOW BEING COMPLETED. SOME ADDITIONAL SHORT CONNECTIONS WILL BE MADE AS NEEDED.

(L) WATER PROJECTS. CONSTRUCTION HAS BEGUN ON THE CARONI-ARENA WATER SUPPLY PROJECT, ALTHOUGH ONE PART (SUPPLY AND INSTALLATION OF PIPE) HAD TO BE RETENDERED;  
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WE EXPECT AWARD WILL BE ANNOUNCED SHORTLY. IT IS EXPECTED THAT PROJECT WILL BE COMPLETED IN 1980. BIDS ON THE NORTH OROPOUCHE PROJECT (PHASE I) ARE TO BE OPENED JULY 28. U.S. SUPPLIERS, UNHAPPY WITH AWARD OF PIPE CONTRACT, HAVE EXPRESSED SOME DOUBT WHETHER THEY WOULD BID ON NORTH OROPOUCHE. ADDITIONAL BACKGROUND ON THIS PROBLEM IS BEING PROVIDED SEPTEL.

(M) TELEPHONES. THE TELEPHONE EXPANSION PROGRAM CALLS FOR THE INSTALLATION OF 26,000 LINES BEFORE THE END OF 1977, AND AN ADDITIONAL 20,000 LINES BY 1980. THIS OF COURSE INCLUDES INSTALLATION OF ADDITIONAL SWITCHING AND RADIO EQUIPMENT. THE EXPANSION PROGRAM IS REPORTED TO BE PROCEEDING ON SCHEDULE. BREAKDOWNS OF SERVICE RECENTLY HAVE ALSO UNDERScoreD THE NEED TO REPLACE OLD AND FAULTY CABLES AND EQUIPMENT, WHICH IS PROCEEDING MORE SLOWLY.

(N) OTHER INFRASTRUCTURE PROJECTS, INCLUDING PREPARATION OF POINT LISAS INDUSTRIAL ESTATE AND DREDGING OF HARBOR, ARE PROCEEDING ON SCHEDULE.

2. COMMENT. A SUBSTANTIAL NUMBER OF THESE PROJECTS ARE SCHEDULED FOR COMPLETION IN 1980. WE ANTICIPATE THAT IF THEY GO AS PLANNED, THERE WILL BE CRITICAL BOTTLENECKS IN A NUMBER OF KEY AREAS--NOTABLY THE CONSTRUCTION INDUSTRY, WHICH IS ALREADY FEELING THE

PINCH, PROFESSIONAL ENGINEERS AND MANAGERS, AND SKILLED  
AND SEMI-SKILLED LABOR. WHILE THE GOVERNMENT'S  
EDUCATIONAL INVESTMENT PROGRAM, BEING FINANCED PARTLY  
BY THE IBRD, IS PROCEEDING WITH SOME INEVITABLE DELAYS,  
OTHER KEY PARTS OF THIS PROGRAM SUCH AS AVAILABILITY  
OF TEACHERS AND PREPARATION OF STUDENTS FOR REVISED  
EDUCATIONAL METHODS AND STANDARDS LIMIT ITS  
USEFULNESS IN MEETING NEEDS FOR WORKFORCE IN THE NEXT  
FEW YEARS.

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## Message Attributes

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